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and DMB White Tank, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman

SANDRA D. KENNEDY

PAUL NEWMAN

BOB STUMP

BRENDA BURNS

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY
ITS ANTHEM/AGUA FRIA
WASTEWATER DISTRICT, SUN CITY
WASTEWATER DISTRICT, AND SUN
CITY WEST WASTEWATER DISTRICT

Docket No. W-01303A-09-0343
SW-01303A-09-0343

**Verrado Community Association,
Inc.'s and DMB White Tank, LLC's
Witness Testimony Summaries**

Verrado Community Association, Inc. and DMB White Tank, LLC, through their undersigned counsel, hereby provide notice of filing the attached witness testimony summaries pursuant to the July 15, 2011 Procedural Order Modifying Procedural Schedule.

DATED this 9th day of November, 2011.

Arizona Corporation Commission

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7 COPY of the foregoing hand delivered this
8 9th day of November, 2011, to:

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1 **Arizona-American Water Company**
2 **Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343**
3 **Proposed Deconsolidation – Anthem/Agua Fria Wastewater District**

4 **Summary of Testimony of David Nilsen on behalf of DMB White Tank, LLC**

5 David Nilsen is Director of Development for DMB Associates, and is responsible for
6 development activities in the Verrado master planned community and the operation of
7 subsidiary entities relating to Verrado, including DMB White Tank, LLC and DMB Verrado
8 Golf I, LLC (collectively, "DMB").

9 Mr. Nilsen testifies that DMB is a customer in Arizona-American Water Company's
10 Anthem/Agua Fria Wastewater District and purchases effluent generated by the Verrado
11 Wastewater Plant for use on the Raven Golf Club at Verrado golf course.

12 DMB requests that the effluent rate remain at the current amount set in the earlier Decision
13 in this matter, Decision No. 72047 (\$250 per acre-foot), for all the public policy reasons cited in
14 DMB's earlier testimony and filings in this case.

15 In addition, DMB agrees with the Verrado Community Association, Inc. that the
16 Anthem/Agua Fria Wastewater District should remain consolidated at least until a future rate
17 case where the parties will have the opportunity to fully evaluate the proposed rate increase and
18 further consolidation proposals.
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1 **Arizona-American Water Company**
2 **Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343**
3 **Proposed Deconsolidation – Anthem/Agua Fria Wastewater District**

4 **Summary of Testimony of Melinda Gulick**
5 **on behalf of Verrado Community Association, Inc.**

6 Melinda Gulick is the President of Verrado Community Association, Inc. (the
7 “Association”). Ms. Gulick describes the Association’s concerns regarding the proposed
8 deconsolidation of Arizona-American Water Company’s Agua Fria/Anthem Wastewater District
9 which, if granted, will significantly impact Verrado residents.

10 Verrado is a new community of homes and businesses located near the White Tank
11 Mountains in Buckeye, Arizona. Verrado is expected to have approximately 11,000 homes
12 spanning 8,800 acres. Currently, there are roughly 1813 homes occupied in the community,
13 approximately nine businesses and four schools. All of Verrado’s water and sewer service is
14 provided by Arizona-American Water Company.

15 The Association is a non-profit corporation that serves approximately 5892 current
16 Verrado residents through a variety of services and community and recreational activities. The
17 Association is seriously concerned about the impact of a large sewer rate increase on its current
18 residents. Sewer rates for typical residential customers were just increased in December in this
19 case by approximately 43.5% (see Decision No. 72047, Exhibit A, p. xii). The current
20 deconsolidation proposal would extend that increase to approximately 135%, or to a combined
21 increase in sewer rates in this case alone of \$46.19 per month for the average residential user.
22 Our concern regarding increased sewer rates is aggravated by a current proposal to increase the
23 Agua Fria Water District water rates approximately 83% in case number WS-01303A-10-0448.
24 Verrado residents pay both water and sewer rates to Arizona-American. Verrado residents, who
25 fund the Association, will also be impacted by increases to the Association’s overall costs.

26 Verrado’s residents include many people who are on fixed or reduced incomes that have
27 already been significantly impacted by adverse economic conditions in the Phoenix area in
28 recent years. The Association opposes any unfair or untimely increases in water and sewer
29 rates, especially during these trying economic times, and requests that the Commission carefully
30 examine and consider in making its decision in this case all of the consumer comments and
31 proposed remedies entered in this docket.

32 The Anthem/Agua Fria Wastewater District should not be deconsolidated in this case
33 because it is unfair and unnecessary. The original application filed by Arizona-American on
34 July 2, 2009 did not propose to deconsolidate any of the four separate wastewater systems
35 currently in the Anthem/Agua Fria Wastewater District, nor did the application warn Verrado
36 customers of the very high rates now offered for the proposed three-system Agua Fria
37 Wastewater District. Verrado customers were not part of the settlement agreement reached by

1 Arizona-American, Anthem, RUCO, and Staff that is described in Decision No. 72047, and had
2 insufficient warning prior to Decision No. 72047 of the enormous sewer rate increase now
3 proposed for the new district. It is unfair to Verrado customers to make such a drastic last-
4 minute change in Arizona-American's application after the discussion of the underlying bases
for the overall rate increase has already been closed.

5 In addition, Arizona-American was ordered in the last paragraph of Decision No. 72047
6 to develop a consolidation proposal that includes all of its systems and file the consolidation
7 proposal in a future rate application. It makes no sense now to require a last-minute
8 deconsolidation of one of the four Anthem/Agua Fria Wastewater District systems when the
9 Commission intends to entertain a more comprehensive consolidation proposal in an upcoming
10 rate case. Both deconsolidation and consolidation should be considered in a new rate case
where all participants will see up front all the rate proposals under consideration and will have
the opportunity to fully participate in all aspects of the rate case.

1 **Arizona-American Water Company**
2 **Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343**
3 **Proposed Deconsolidation – Anthem/Agua Fria Wastewater District**

4 **Summary of Testimony of Kent Simer**
5 **on behalf of Verrado Community Association, Inc.**

6 Kent Simer provides direct testimony on behalf of Verrado Community Association, Inc.
7 (“Verrado”). Verrado is in the Agua Fria Wastewater District and faces the potential of
8 significant rate shock if a decision is made to deconsolidate the Anthem/Agua Fria Wastewater
9 District.

10 Mr. Simer reminds the Commission that Arizona-American Water Company (“Arizona-
11 American”) has also been ordered in this case to propose a complete consolidation of their water
12 systems in a future rate application. Mr. Simer testifies against any decision to deconsolidate
13 prior to a Commission decision on consolidation. Mr. Simer testifies that customers expect
14 stable and predictable rates, and decisions authorizing both deconsolidation and consolidation
15 have the potential to create unstable rates.

16 Mr. Simer testifies that the proposed deconsolidation will lead to significant rate shock
17 for Agua Fria customers and lead to a significant disparity in rates between territories for the
18 same type of service. Mr. Simer believes the establishment of a significant disparity in rates for
19 the same type of service is inconsistent with A.R.S. section 40-334(B).

20 Mr. Simer testifies that deconsolidation would lead to increased rate case expense and
21 regulatory lag between rate settings. Mr. Simer testifies that increased lag may impact Arizona-
22 American’s ability to collect its authorized rate of return in a timely manner.

23 Mr. Simer testifies that implementation of the use of winter-average rates as a measure of
24 sewer usage, a proposal adopted in Decision No. 72047, should be postponed until after a
25 decision on consolidation is made by the Commission to avoid any added confusion and
26 changes to the rates of the customers.

27 Arizona-American’s proposal to shift revenue from the OWU class to respond to the City
28 of Phoenix request for a change in water measurement methodology is outside the scope of this
proceeding and should not be considered.

 Finally, Mr. Simer testifies that deconsolidation may lead to different management
practices being deployed throughout Arizona-American districts versus common management
practices under a consolidated Arizona-American.